

January - March 2003

US Department of Housing and  
Urban Development  
451 7<sup>th</sup> Street, S.W.  
Washington, DC 20410

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# Quarterly Report to Congress

## CDBG Funds for Recovery from and Response to the September 11, 2001 Terrorist Attacks on New York City

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Grantees:  
State of New York:  
Empire State Development Corporation  
and  
Lower Manhattan Development  
Corporation

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## Executive Summary

Since September 11, 2001, Congress has appropriated \$3.483 billion of supplemental Community Development Block Grant (CDBG) funds for recovery from and response to the terrorist attacks on New York City. Congress requires HUD to report quarterly to the House and Senate Appropriations Committees on the uses of these grants. This is the fourth report on the \$700 million grant to New York State's Urban Development Corporation, a New York public benefit corporation doing business as the Empire State Development Corporation (ESDC). This is the third report on activities under way on the second grant, \$2.0 billion awarded to the Lower Manhattan Development Corporation (LMDC), of which \$655,892,500 has been made available for expenditure.

LMDC has submitted an *Action Plan* to HUD for use of \$24,047,048 of the remainder of the \$2.0 billion, and has published but not yet submitted: 1) an action plan for capital short-term projects, long-term planning, and supplemental funds for business recovery (\$151,929,673 of the \$2 billion grant), 2) an action plan for utility restoration and infrastructure rebuilding (\$750 million of the third grant) and 3) an action plan for New York firms suffering disproportionate loss of workforce (\$33 million of the third grant of \$783 million).

The largest activities under these grants assist small businesses and are administered by ESDC, either directly from its own allocation or on behalf of LMDC using the LMDC allocation. To date more than half of the grant funds budgeted by ESDC and LMDC target small businesses.

ESDC received a \$700 million disaster recovery grant February 13, 2002, after submitting a final *Action Plan* budgeting the entire grant. At the time, this was the largest single grant in the history of the CDBG program, though soon to be eclipsed by the larger grants designated for LMDC. Through March 31 – the end of the reporting period – ESDC reported on expenditures of \$494,818,843 for grant activities.

LMDC, created to coordinate rebuilding at the World Trade Center and the revitalization of Lower Manhattan, is a New York public benefit corporation and a subsidiary of ESDC. LMDC submitted a partial *Action Plan* to HUD for \$305,892,500 of its \$2 billion grant. In November, HUD approved LMDC's second partial *Action Plan*, which budgeted \$350 million, primarily for small business assistance activities administered by ESDC. With the approval of this second partial plan, this grant became the largest single grant in the history of the CDBG program. LMDC submitted a third partial *Action Plan* May 7, 2003. Through March 31, LMDC reported on expenditures of \$219,751,468 for grant activities from the \$2.0 billion grant.

ESDC and LMDC have the responsibility for day-to-day management of grant programs. HUD is responsible for ensuring each manages its grant programs in accordance with all HUD disaster recovery program requirements. HUD program staff monitored

ESDC's grant activities on-site during the reporting period, and HUD staff continually provide technical assistance and grant oversight both on-site in New York City and from Washington, DC. The following chart shows the monitoring and audit reports issued as of March 31, 2003, for these grants.

<b>Report / Grantee</b>	<b>ESDC</b>	<b>LMDC</b>
Date of HUD management review reports	July 31, 2002 February 26, 2003	January 6, 2003
Date of IG Audit Reports	May 22, 2002 March 25, 2003	None issued yet.

In general, the grantees have responded in a timely manner and have taken or are taking the actions HUD recommended in the reports. To date, none of the issues raised in the reports have resulted in significant questioned costs and, based on current information, HUD program staff believe the grantees are generally managing the grants in accordance with program requirements. The HUD Office of Inspector General is starting to review LMDC's activities and has not yet issued a report.

This quarterly report covers the funding process, HUD management of the grant, grant terminology, data and narratives from the grantees' quarterly reports to HUD, a discussion of the supplementary data provided by ESDC and LMDC, and program requirements.

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## HUD Management

The grants covered by this quarterly report are Community Development Block Grants (CDBG) from supplemental appropriations for recovery from the September 11, 2001, disaster. HUD tailored the rules of the CDBG program to the recovery needs of this disaster by publishing waivers and a limited number of alternative requirements in the *Federal Register*. What HUD did not change is the fundamental principle under the CDBG program that design of program activities and day-to-day management of the grant is the responsibility of the state or local government grant recipient. HUD reviews the grantee's systems and results, but does not choose which activities or programs to assist.

**Monitoring.** In addition to continuing involvement on-site and at headquarters with oversight and technical assistance, HUD Community Planning and Development (CPD) staff conduct management reviews, also known as grant monitoring visits, about twice yearly. HUD carried out no on-site monitoring at LMDC during the reporting quarter (January-March 2003). HUD staff monitored ESDC in January and issued a report on that visit February 26, 2003. Because ESDC and LMDC were new disaster grantees, during the management reviews to date HUD has assessed grantee compliance comprehensively, looking at all major areas, such as fundability, financial management, environmental reviews, and subrecipient management. As time goes on and HUD accumulates information about the quality of grantee management systems and performance, HUD will be able to apply risk analysis, as is normal in the main CDBG program, to design more targeted reviews.

**Reports.** In accordance with established procedures for CDBG disaster recovery grant reporting, ESDC and LMDC are providing their quarterly performance reports to HUD via the Disaster Grant Recovery Reporting (DRGR) online reporting system. Both grantees are current on their DRGR reports.

With the quarterly reports, ESDC and LMDC are providing supplementary data from their grant management information systems to program staff and to the Inspector General.

**Note on definitions.** The report below uses the terms “expended,” “obligated,” and “budgeted” in their CDBG sense. In this context, “budgeted” generally means the amount of funds budgeted by the grantee in the *Action Plan*. In its DRGR submissions, LMDC further detailed budgeting for specific planning and administrative activities. The term “obligated” means the grantee has entered into a contractual or other legal obligation to use grant funds for the activity. For example, obligation of funds happens when a contract is signed, a subrecipient agreement is executed, or a member of the grantee staff works and turns in time sheets. The term “expended” means the grantee has drawn grant funds from its line of credit with the U.S. Treasury and applied those funds to pay or reimburse itself for the activity.

**Note on data tables.** The data tables preceding each project narrative summarize data submitted in DRGR data fields and narratives. The “Total Project Budget from All Reported Sources” line shows the sum of the contributions from all sources (federal, state, local and

private) for the project. The remainder of the table deals only with assistance from the HUD disaster recovery grant specified.

## Empire State Development Corporation's Report - Overview

The text that follows is drawn from ESDC's submission to HUD via the April 2003 DRGR quarterly report for activities other than planning and administration. The report covers grant activities and cumulative expenditures through the quarter running from January 1 to March 31, 2003.

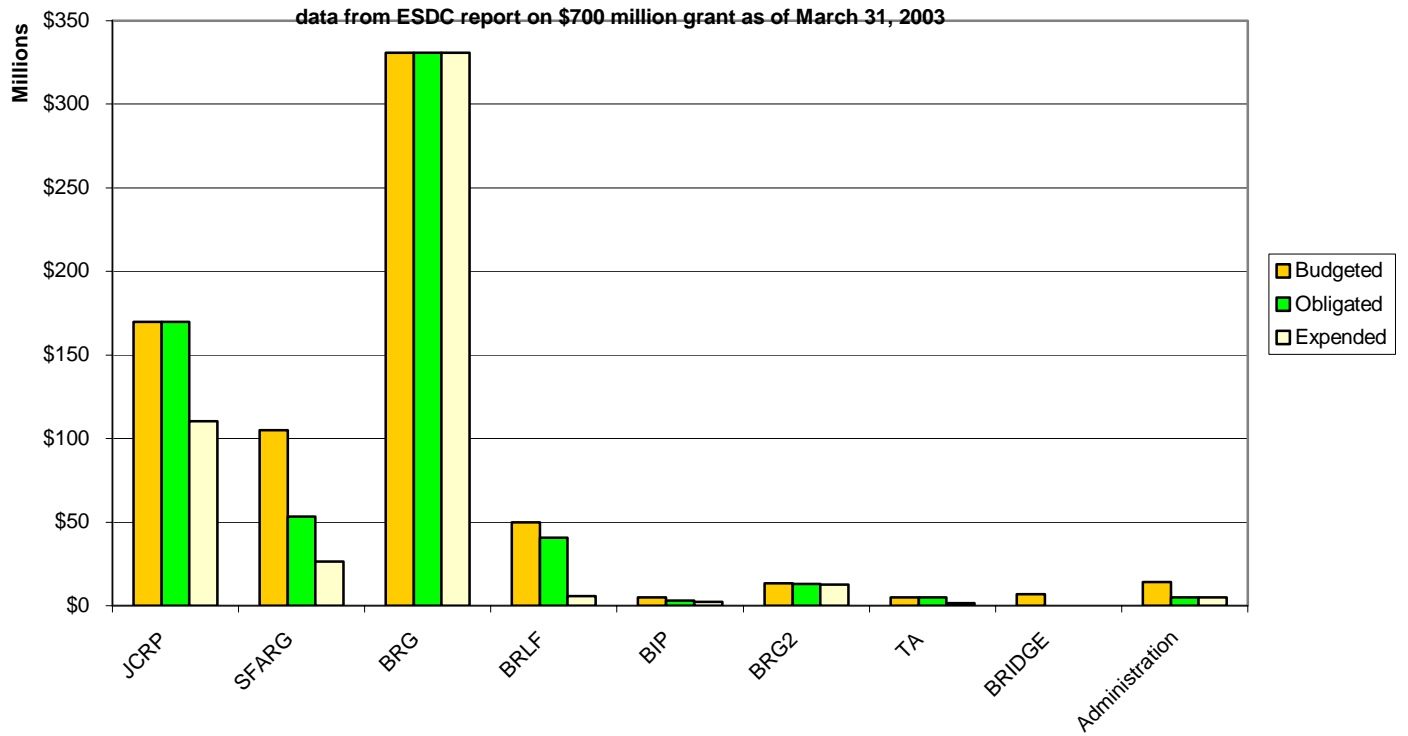
The largest ESDC activity is the WTC Business Recovery Grant (BRG) program, which provides payments for economic loss to small businesses in Lower Manhattan. As of March 31, ESDC reported it had expended \$330,986,820 from its grant and \$143,529,756 from the LMDC funds ESDC administers for this activity. Through March 31, 2003, ESDC reported cumulative administrative expenditures of \$4,815,906 to deliver \$494,818,843 in expenditures from its grant and \$143,538,014 in expenditures of funds ESDC administers for LMDC.

The *Accomplishment Measures* tables show data submitted in DRGR for the same time period. Accomplishments data are only shown in the tables if the grantee has already expended HUD grant funds for the activity. The use of the term "wage-earner" is explained in the Supplementary Data narrative at the end of this report.

The narratives for ESDC funded or administered activities that follow are:

- Overall Narrative of HUD Quarterly Report
- WTC Business Recovery Grant Program (BRG)
- Small Firm Attraction and Retention Grant Program (SFARG)
- WTC Business Recovery Loan Program (BRLF)
- Technical Assistance Services Grant Program (TA)
- WTC Disaster Recovery Bridge Loan Program (BRIDGE)
- Job Creation and Retention Grant Program (JCRP)
- Additional Compensation to Lower Manhattan Businesses (BRG2)
- Business Information Program (BIP)

### HUD DISASTER RECOVERY FUNDS BUDGETED, OBLIGATED, & EXPENDED BY ACTIVITY





## ESDC Overall Narrative

<b>CDBG Disaster Assistance Funds to ESDC # B-01-DW-36-0001 = \$700 million</b>	
Total HUD Disaster Recovery Funds from the ESDC Grant	\$700,000,000
Obligated HUD Disaster Funds to March 31	\$620,451,721
Unobligated HUD Disaster Funds to March 31	\$79,548,279
Cumulative HUD Disaster Funds Expended to March 31	\$494,818,843

As of March 31, 2003, the WTC disaster recovery programs funded by the \$700 million federal appropriation implemented by the Empire State Development Corporation (ESDC), in cooperation with the New York City Economic Development Corporation (EDC), disbursed nearly half a billion dollars of assistance to businesses dislocated or disrupted by the events of September 11. Many small and large businesses have benefited from the grants, loans, technical assistance and recovery assistance information made available through these programs. The assistance provided to eligible businesses has encouraged and enabled many to remain in Lower Manhattan. Incentives to larger businesses that had left the area as a result of the attacks have been successful in obtaining commitments to return to Lower Manhattan from some of the largest companies in a number of key industry sectors. These include financial and business services, telecommunications, and legal and professional services. The recovery and revitalization of Lower Manhattan depend critically upon the success of these efforts. The disaster recovery programs implemented by the State and City have helped to stabilize, maintain, and restore the economic base of Lower Manhattan.

- The \$350 million sub-allocation provided by the Lower Manhattan Development Corporation's (LMDC) partial *Action Plan* published in August 2002, enhanced the capacity of three key disaster recovery programs administered by ESDC:
- \$150 million to the WTC Business Recovery Grant Program (BRG), which had an original allocation of \$331 million;
- \$150 million to the Job Creation and Retention Program (JCRP), which has a \$170 million original allocation to ESDC; and
- \$50 million to the Small Firm Attraction and Retention Grant Program (SFARG) that has an ESDC allocation of \$105 million.

In addition, ESDC received approval from HUD in March to re-allocate program funds from two existing disaster recovery programs to supplement the funds allocated to BRG and the Additional Compensation to Lower Manhattan Businesses Program (BRG2). The expansion of compensation for economic loss to eligible businesses in these programs required additional funds to meet program obligations. With the re-allocations within the \$700 million federal appropriation to ESDC, BRG program funds totaled \$339.86 million and the BRG2 allocation totaled \$13.24 million.

Progress to date has been substantial in meeting program goals. This is evidenced by the need for additional program funding beyond the original allocations for three of the disaster recovery programs, defined in the final *Action Plan*, in order to meet program commitments in the BRG and BRG2 programs and to cover anticipated demand for assistance in JCRP.

BRG, by far the largest of the disaster recovery grant programs, ended as of December 31, 2002. As of March 31, 2003, the program had disbursed an overall total of \$471.9 million and assisted an overall total of 14,010 small businesses in Lower Manhattan. This reflects the combined ESDC and LMDC program funding. HUD requires separate reporting of activities and accomplishments reflecting the expenditure of the ESDC \$339,860,000 allocation as distinct from the LMDC sub-allocation of \$150 million. Please note that some businesses may have received grants funded by both ESDC and LMDC program allocations. For this reason, overall BRG program accomplishments (number of businesses assisted and employment) cannot be represented as a sum of the accomplishments under each separate program allocation. This would result in double counting some of the program impact.

ESDC alone disbursed \$331.0 million of its total BRG program funding, assisting 9,372 businesses employing nearly 96,000 people. This activity represents nearly 70% of the prorated share of an estimated 19,600 small businesses located on or south of 14<sup>th</sup> Street targeted by the overall program funding of \$339.86 million anticipated in the final *Action Plan*. This activity also represents 62% of the prorated share of estimated total employment of 225,000 at eligible businesses targeted by the program. BRG program overall accomplishments reported as of March 31 do not include the many applications that were received on or just prior to the program deadline of December 31, 2002. These are still being processed and are likely to increase the overall program impact. Likewise, program accomplishments may actually be more significant if we consider that initial estimates of affected businesses in the final *Action Plan* may have been overstated, given the difficulty in obtaining information on the number of businesses impacted and the extent of economic loss suffered.

Perhaps as important as the statistics measuring program performance, the significance of the Business Recovery Grant Programs lies in the fact that, soon after September 11, it was the first large-scale disaster recovery grant programs available to the many small businesses facing catastrophic loss. The walk-in centers set up near Ground Zero to implement the programs quickly became important sources not only of business assistance but also of emotional support to the business owners of Lower Manhattan. The ESDC and EDC staff administering these programs were highly effective in assisting businesses with the application process and in processing applications quickly in order to deliver grants to eligible businesses as soon as possible. It is no small achievement that through their efforts in just over a year, ESDC and EDC staff disbursed nearly \$472 million to over 14,000 small businesses.

As of March 31, 2003, 771 small businesses received \$26.3 million through the Small Firm Attraction and Retention Grant Program (SFARG), representing over 14,475 employees. (This total disbursement reflects half of the assistance eligible firms may receive as a first installment, with the second installment contingent upon their continued eligibility 18 months

after application.) The pace of progress in the SFARG program will tend to reflect the pattern of lease renewals as these proceed for small businesses in New York City and the extent to which the program may attract new businesses into Lower Manhattan. The experience thus far shows a substantial increase in the volume of applications and assistance over the past year.

The WTC Job Creation and Retention Grant Program (JCRP) has been successful in its efforts to secure commitments to Lower Manhattan from large firms (with employment greater than 200 persons). Twenty-three companies employing over 31,200 persons have received over \$110.2 million in incentives in return for a commitment to remain in, return or relocate to Lower Manhattan. These decisions by some of New York's largest businesses are contributing significantly to the revitalization of Lower Manhattan. As of March 31, 2003, ESDC's Board of Directors had approved 64 grants for a total value of \$181 million. Fifty-one of the 64 approved grants will be funded from ESDC's initial allocation of \$170 million from the \$700 million federal appropriation. The remaining 13 approved grants and future commitments will draw on the \$150 million supplemental funding through LMDC. Companies that have been approved to receive JCRP grants have committed to retain or create nearly 60,000 jobs in New York City (almost 75% of the estimated 80,000 jobs at companies assumed to be at risk), with over 53,000 of these in Lower Manhattan.

The WTC Disaster Recovery Bridge Loan Program ended on January 31, 2003, when the U.S. Small Business Administration stopped accepting applications for Economic Injury Disaster Loans related to the WTC disaster. Participating lenders in the Bridge Loan Program enrolled 990 loans with total principal value of \$31.7 million. Total program impact will be available when 98 loans valued at \$3.5 million that are pending reconciliation with EDC records are processed. The Bridge Loan Program is funded by ESDC and EDC and does not draw on the \$700 million federal appropriation. As of March 31, 2003, no decision has been made by the State or City to seek reimbursement for expenditures made for program activity.

As of March 31, 2003, eight community-based lenders participating in the WTC Business Recovery Loan Program were allocated a total of \$40.6 million in program funding to make low-cost working capital loans to eligible borrowers. Lenders closed on 96 loans totaling \$5.8 million to businesses representing a total of 764 employees.

The Technical Assistance Grants to Service Providers Program (TA) has concluded contracts with 23 approved service providers to offer non-financial technical assistance, such as business needs assessment, marketing, and legal, accounting, real estate and referral services. Most of the technical services projects began in August 2002. As of March 31, TA contractors had made substantial progress, providing direct assistance to over 3,000 businesses.

The extensive outreach and marketing efforts undertaken by the Business Information Program have contributed to the success of the disaster recovery programs. Cooperation between ESDC and EDC has resulted in the effective use of two web sites, two toll-free phone lines, and the operation of two Business Recovery Centers (prior to their closing on December 31, 2002) to distribute program information, respond to questions about disaster programs and resources, and to assist small business owners in completing applications.

Phase II of the marketing plan includes intensified marketing and advertising activities for the SFARG and JCRP programs. For the JCRP program, an inspirational full-page print advertisement “LOWER MANHATTAN. More than Just a Smart Move.” was developed as a patriotic appeal to support the rebuilding of Lower Manhattan. An informational print ad was created to promote the Employee Training and Assistance Program and appeared in nine different publications targeting Lower Manhattan business owners.

As part of the outreach effort, ESDC and EDC staffs continue to participate in speaking engagements with business groups and community organizations to promote the disaster recovery programs.

WTC Business Recovery Grant Program (BRG)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$489,860,000
Total HUD Recovery Funds from the ESDC Grant	\$339,860,000
Obligated HUD Recovery Funds to March 31	\$339,860,000
Unobligated HUD Recovery Funds to March 31	\$8,873,180
Cumulative HUD Recovery Funds Expended to March 31	\$330,986,820

<b>ESDC Grant Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	NA	64,124
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	43,052
# Wage Earners/Proprietors	NA	95,919
# of Businesses	13,488	9,372
# of non-business organizations	474	313

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Sources	\$489,860,000
Total HUD Recovery Funds from the LMDC Grant	\$150,000,000
Obligated HUD Recovery Funds to March 30	\$150,000,000
Unobligated HUD Recovery Funds to March 30	\$0
Cumulative HUD Recovery Funds Expended to March 30	\$143,529,756

<b>LMDC Grant Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	NA	32,556
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	23,504
# Wage Earners/Proprietors	NA	45,650
# of Businesses	6,112	5,942
# of non-business organizations	213	195

In March 2003, HUD approved the reallocation of \$8,860,000 from the Business Recovery Loan Program to the Business Recovery Grant Program (BRG). This brought the

total budget for the BRG program to \$339,860,000, based on the original \$700 million appropriation to the Empire State Development Corporation (ESDC). Prior to this in October 2002, HUD had approved a sub-allocation of \$150 million to BRG from the Lower Manhattan Development Corporation (LMDC). This is part of a total \$350 million LMDC sub-allocation to three existing programs administered by ESDC, as described in the partial *Action Plan*. The combined total of ESDC and LMDC funds available to BRG at the end of the reporting period was \$489,860,000.

Please note that some businesses may have received grants funded by both ESDC and LMDC program allocations. For this reason, overall BRG program accomplishments (number of businesses assisted and employment) cannot be represented as a sum of the accomplishments under each separate program allocation. This would result in double counting some of the program impact.

The BRG program closed December 31, 2002 and is no longer receiving applications for assistance. A substantial number of applications were received in the last few days of the program. Consequently, most of the grant applications from eligible businesses received or postmarked on or before the program deadline were processed during the first quarter of 2003. BRG activity and accomplishments as of March 31, 2003 will not reflect the total disbursement of grants or the overall performance of the BRG program, pending the completion of the processing of grants approved for disbursement.

#### Overall BRG Program Activity and Accomplishments (ESDC and LMDC combined funding \$489,860,000)

As of March 31, 2003, BRG had assisted a total of 14,010 small businesses (including 481 not-for-profit organizations) in Lower Manhattan. The overall program accomplishments will be evaluated once all applications are processed and grants are disbursed to eligible applicants.

A total of \$471,868,623 was disbursed in 18,867 grants to eligible small businesses. (The total amount of assistance disbursed that is reported in this narrative is different from the cumulative HUD funds expended as reported for this period. This reflects a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived.) The total number of grants and amount disbursed includes multiple grants to businesses with more than one establishment located in the Eligible Area. It also includes grants provided for the increased calculation of loss compensation made available to eligible businesses beginning in late August 2002.

As of March 31, the overall program value of grants disbursed represented 96% of the total ESDC and LMDC allocation to BRG of \$489,860,000. The overall BRG program average award per business assisted was \$33,680.

### BRG Program Activities and Accomplishments (ESDC \$339.86 million Allocation)

As of March 31, 2003, a total of 9,372 businesses (including 313 not-for-profit organizations) received 12,853 grants totaling \$328,246,113 using the ESDC \$339,860,000 BRG allocation. The average value of BRG award per eligible business over this period was \$35,024. This program activity does not include the activity reflected in the applications received by the program deadline on December 31, 2002 but not processed as of March 31.

Total employment (including wage earners and owners) at BRG-assisted eligible businesses funded by the ESDC program allocation was 95,919. Sixty-seven percent of total employment at assisted establishments (or 64,124 wage earners and proprietors) were low- and moderate- income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected 45% of total employment (or 43,052 wage earners and proprietors).

If activity is viewed by sub-areas within the Eligible Area, the BRG Program clearly shows that most of the grants disbursed went to small businesses in the Restricted Zone and the area surrounding it south of Canal Street. These two areas are closest to Ground Zero where businesses suffered the greatest physical damage and economic dislocation. A total of 8,989 grants were disbursed to businesses in these two areas, with a total value of \$279.6 million (or over 82%) of the total ESDC program allocation of \$339.86 million.

The Business Recovery Grant Program has made significant progress toward its goals for disaster recovery in Lower Manhattan. As of March 31, ESDC funding alone for the BRG program assisted nearly 70% of the prorated share of an estimated 19,600 small businesses located on or south of 14<sup>th</sup> Street targeted by the overall program funding of \$489.86 million anticipated in the final *Action Plan*. This activity also represents 62% of the prorated share of estimated total employment of 225,000 at eligible businesses. True program accomplishments will be available once all applications for assistance are processed and grants are disbursed to eligible businesses.

### BRG Program Activities and Accomplishments (LMDC \$150 million Allocation)

As of March 31, 2003, a total of 5,943 businesses (including 195 not-for-profit organizations) received 6,014 grants totaling \$143,622,510 using LMDC's \$150 million supplemental BRG allocation. (Please note that the total grant amount as of March 31, 2003 reported in this narrative differs slightly from the cumulative funds expended as reported for this period. This is due to a brief time lag between the actual disbursement of grants by ESDC and its recording in the database from which this report is derived.) The average value of LMDC-funded BRG award per eligible businesses over this period was \$24,167. The program activity and accomplishments reported as of March 31, 2003 do not represent the final results of the BRG program. A number of applications received by the program deadline on December 31, 2002, are still being processed and are not included in these totals.

BRG total employment (including wage earners and owners) at small businesses assisted with the LMDC program funds was 45,746. Seventy-two percent of total employment

at assisted establishments (or 32,570 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected 51% of total employment (or 23,504 wage earners and proprietors).

When viewed by sub-areas within the Eligible Area, the LMDC-funded portion of the BRG program shows that most of the grants disbursed went to small businesses in the Restricted Zone and the area surrounding it south of Canal Street. A total of 3,906 grants were disbursed to businesses in these two areas, with a total value of \$121.9 million (or 81%) of the total LMDC sub-allocation to the BRG program.

As of March 31, 2003, all of the prorated share of the estimated 19,600 small businesses south of 14<sup>th</sup> Street received grants through the LMDC allocation of BRG program funds, which contributed to the retention of 66% of the prorated share of the estimated 225,000 jobs in the Eligible Area considered at risk in the final *Action Plan*.



## Small Firm Attraction and Retention Grant Program (SFARG)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$105,000,000
Total HUD Recovery Funds from the ESDC Grant	\$105,000,000
Obligated HUD Recovery Funds to March 31	\$53,406,000
Unobligated HUD Recovery Funds to March 31	\$51,594,000
Cumulative HUD Recovery Funds Expended to March 31	\$26,513,750

<b>ESDC Grant Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	8282	8309
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	5870	4804
# of Businesses	7638	771
# of Persons Benefiting	35226	14,475

The Small Firm Attraction and Retention Grant Program (SFARG) provides grants to eligible businesses in two installments: half of the total grant is awarded on the approval of a completed application, and half is awarded on the approval of an 18-month disbursement request, contingent on the continued eligibility of the applicant. As of March 31, 2003, the SFARG program showed a substantial increase in the volume of grants provided through the program. Over the period, 771 businesses received grants totaling \$26,646,250 in program funds covering the first installment, with an average award per grant recipient of \$34,561. (Please note that this first installment total grant amount as of March 31, 2003 reported in this narrative is different from the cumulative HUD funds expended as reported for this period, reflecting a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived.)

The total value of grants disbursed for the period represents 25% of the \$105 million allocated to the SFARG Program. It should be noted that it was always anticipated that the pace of progress in the SFARG program would be more modest than activity in most of the other WTC disaster recovery programs funded by the \$700 million federal appropriation. This reflects the fact that small businesses face considerable difficulty in planning strategically and making commitments to remain in Lower Manhattan or elsewhere in New York City.

As of March 31, total direct employment at establishments of SFARG-assisted businesses was 14,475, with an average number of 19 employees per grant recipient. Fifty-seven percent of total employment at assisted establishments (or 8,309 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to

\$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected 33% of total employment (or 3,804 wage earners and proprietors).

The amended *Action Plan*, approved in August 2002, reallocated \$25 million from the Lower Manhattan Development Corporation to the SFARG Program. The revised total program funding for SFARG is \$105 million. In addition, the partial *Action Plan* published by LMDC on August 27, 2002, allocates another \$50 million to SFARG as part of a total \$350 million in supplemental funds to three ESDC-managed programs.

WTC Business Recovery Loan Program (BRLF)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$41,140,000
Total HUD Recovery Funds from the ESDC Grant	\$41,140,000
Obligated HUD Recovery Funds to March 31	\$40,590,000
Unobligated HUD Recovery Funds to March 31	\$550,000
Cumulative HUD Recovery Funds Expended to March 31	\$5,772,798

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Persons Benefiting	15,000	764

As of March 31, 2003, eight of the nine community-based lenders approved for participation in the Business Recovery Loan Program have signed contracts with Empire State Development Corporation (ESDC). Program allocations to these eight lenders totaled \$40,590,000. Once an agreement with the remaining lender is concluded, program allocations will total \$41,140,000.

ESDC has disbursed \$5,772,798 in program funds to participating lenders. Of this amount, lenders have closed 96 loans totaling \$5,480,298 as of March 31, and have received \$202,500 in program delivery fees. The loans for the remaining \$90,000 were closed in early April.

The average size loan was \$75,890. Total employment at borrowers' establishments was 764.

## Technical Assistance Services Grant Program (TA)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$7,500,000
Total HUD Recovery Funds from the ESDC Grant	\$5,000,000
Obligated HUD Recovery Funds to March 31	\$4,869,439
Unobligated HUD Recovery Funds to March 31	\$130,561
Cumulative HUD Recovery Funds Expended to March 31	\$1,490,456

The Technical Assistance Grants to Service Providers program (TA), has allocated up to \$5 million in grant funds to selected organizations through a competitive process to provide technical assistance services to small businesses (with less than 200 employees) located on or below 14<sup>th</sup> Street that have been affected by the WTC disaster. Technical assistance services may include: assisting identified groups in accessing disaster funds, helping businesses achieve recovery and their targeted redevelopment objectives, and assisting identified businesses with legal, insurance, business management, marketing and attraction efforts.

As of March 31, 2003, all of the 23 technical service providers are under contract. Most of the projects began in August 2002, and are expected to conclude by August 31, 2004. Each service provider is contributing at least 50% of the grant amount in matching funds or in kind services.

The TA program has made significant progress in providing a wide range of services needed by small businesses affected by the September 11, 2001 disaster. Twenty-one of the 23 service providers (TA providers) are under contract to provide technical services directly to small businesses, with the remaining two under contract to produce online products designed to service small businesses, and enhance the recovery of Lower Manhattan.

As of March 31, 2003, a total of 2,911\* small businesses, representing over 24,000 employees, have been directly assisted by at least one of the TA providers, and by using the online incentive tool. Many of these businesses benefited from more than one type of assistance.

Types of services provided are categorized as follows:

- **Technical Services: These include business needs assessment; grant and/or loan application information, completion, or submission; seminars/workshops on recovery grants/loans.**
- 1,986 small businesses with over 14,400 employees benefited from this type of direct technical assistance. While the majority of businesses assisted were retailers, other businesses are represented by a broad range of industry sectors. In this last quarter, a tax seminar and a workshop entitled *Available Loan and Grant Programs* were offered.

- **Marketing Services:** These include one-on-one marketing and informational seminars and workshops.
  - Since March 31, 2003, a total of 973\* businesses with over 10,300 employees were assisted with marketing services via one-on-one plan development or through seminars and workshops. Topics of some of the seminars/workshops offered in this category have included *Strategic Planning* and *Principles of Professional Selling*.
- **Specialty Services:** These include legal counseling, tax and accounting assistance, real estate services, and referrals for recovery information and/or assistance.
  - As of March 31, 2003, this type of technical assistance has provided benefit to 643 businesses and organizations with nearly 4,400 employees.

Here is a sample of some activities since program launch:

- Program guidelines were developed and modified.
  - Grant Disbursement Agreements highlighting scope of services, anticipated deliverables, and timelines were finalized for each of the 23 TA providers.
  - Two different group meetings of all 23 TA providers were held on September 6, 2002 and December 18, 2002. The purpose was to introduce each of the service providers, launch the program, review program guidelines and reporting requirements, and to introduce new recovery programs.
  - Four independent sessions were held to review the BRG and SFARG grant programs with the TA providers.
  - A website run by NYC, [www.LowerManhattan.info](http://www.LowerManhattan.info), was used to advertise many of the TA programs' workshops and seminars. Stories highlighting some of the benefit small businesses realized by the program were developed and posted to the site.
  - To assist in the delivery of contracted services, TA providers have contracted 52 different sub-contractors to date.
  - ESD established a dedicated telephone line (212-803-3755) and an email address (TAprogram@empire.state.ny.us) for small businesses seeking technical assistance services. These referrals are posted to a specifically designed web based communication forum that is accessible by all 23 TA providers. This programmatic communication system is also used to post program updates and other information on Lower Manhattan business recovery services.
  - A database was developed to track and monitor assisted businesses and to be used as a tool to help avoid duplication of services offered to small businesses.
- **Other Products/Services:**
    - [www.LowerManhattanMap.com](http://www.LowerManhattanMap.com) - An online mapping service was launched to serve local businesses and to bring people to Lower Manhattan by making it easier to locate exact sites and services. This new mapping service, enables users to navigate throughout Lower Manhattan by providing access to geographic as well as cultural data from the Alliance of Downtown New York, Lower East Side Business Improvement District, and the TriBeCa Organization, as well as other information sources such the NY Metropolitan Transit Authority and NY/NJ Port Authority.

This site was officially launched in early February 2003. As of March 31, 2003, a total of 4,657 visitors and 3,239 users have been reported on the site.

[www.downtownNYincentives.com](http://www.downtownNYincentives.com), an interactive search engine was developed to assist small businesses in estimating business incentives available to them, and to locate available real estate in the area below 14<sup>th</sup> Street. The site, launched in November 2002, seeks to increase the viability and number of small businesses located in Lower Manhattan. As of March 31, 2003, almost 200 of the 785 total visitors to the site completed the online questionnaire outlining the Lower Manhattan incentives and benefits available to them.

\* Reflects a reporting adjustment made by one TA provider.

## WTC Disaster Recovery Bridge Loan Program (BRIDGE)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Funds from All Reported Sources	\$32,514,159
Total HUD Recovery Funds from the ESDC Grant	\$6,760,000
Obligated HUD Recovery Funds to March 31	\$0
Unobligated HUD Recovery Funds to March 31	\$6,760,000
Cumulative HUD Recovery Funds Expended to March 31	\$0

The WTC Disaster Recovery Bridge Loan Program (BRIDGE) came to an effective end on January 31, 2003, when the United States Small Business Administration stopped accepting applications for Economic Injury Disaster Loans related to the events of September 11, 2001. In March 2003, \$8,240,000 of the original program allocation of \$15 million was re-allocated to the Additional Compensation to Lower Manhattan Businesses (BRG2) Program.

As of January 31, 2003, Empire State Development Corporation (ESDC) had processed 990 loan enrollment forms for bridge loans totaling \$32,514,159. Nine different lenders, including commercial banks and community development financial institutions, participated in the program. Per the terms of its agreement with each lender, ESDC has obligated a total of \$3,203,766 as a loan loss reserve for these loans. This amount is slightly less than 10% of the total amount of the loans enrolled because some individual loan amounts exceeded program limits. Likewise, as of January 31, the New York City Economic Development Corporation (EDC), in cooperation with ESDC in this program, has contributed \$3,310,726 to the loan loss reserve, bringing the overall total reserve fund to \$6,514,492.

An additional 98 loans totaling \$3,537,560 are pending reconciliation with EDC records or require additional evaluation in order to determine eligibility. If all of these loans are enrolled, final program totals could reach 1,088 enrolled loans totaling \$36,051,719, for a total combined ESDC and EDC loss reserve contribution of \$7,054,044.

As of March 31, 2003, a total of 17 loans were in default with a total principal value of \$455,784. The total value of reserve funds drawn by lenders is \$468,712, which includes principal amount loss, accrued interest, and expenses. As of March 31, no decision has been made regarding whether the State or City will seek reimbursement for the program.

## Job Creation and Retention Grant Program (JCRP)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$320,000,000
Total HUD Recovery Funds from the ESDC Grant	\$170,000,000
Obligated HUD Recovery Funds to March 31	\$169,829,393
Unobligated HUD Recovery Funds to March 31	\$170,607
Cumulative HUD Recovery Funds Expended to March 31	\$72,824,000

<b>ESDC Grant Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	6455	10346
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	4575	3717
# Wage Earners/Proprietors	42,400	31,260
# of Businesses	106	23

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Sources	\$320,000,000
Total HUD Recovery Funds from the LMDC Grant	\$150,000,000
Obligated HUD Recovery Funds to March 31	\$11,183,000
Unobligated HUD Recovery Funds to March 31	\$138,817,000
Cumulative HUD Recovery Funds Expended to March 31	\$0

<b>LMDC Grant Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Low/Mod Wage Earners & Proprietors	5725	0
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	4058	0
# Wage Earners/Proprietors	37,600	0
# of Businesses	94	0

The Job Creation and Retention Grant Program (JCRP) targets businesses in the area of Lower Manhattan south of Canal Street with over 200 full-time employees that require assistance in maintaining, establishing or resuming a presence in Lower Manhattan or elsewhere in New York City. The program also aims to attract companies willing to commit to relocate and/or create 200 or more jobs in Lower Manhattan. Among these businesses are some of the world's largest financial services, business



services, legal and professional services, and communications companies representing some of the largest employers in New York City.

The JCRP offers discretionary incentives to eligible key businesses through a process that involves a number of milestones: A Review Committee comprised of Empire State Development Corporation (ESDC) and NYC Economic Development Corporation (EDC) senior staff considers the recommendations made by project directors from the City and the State. Upon a favorable review, the Review Committee authorizes a level of financial assistance to offer an eligible company, based on a number of criteria. On accepting an offer, the company completes an application, the project is submitted to the ESDC Board of Directors for approval, a Grant Disbursement Agreement is executed, and, after a payment requisition with supporting documents is submitted, the grant is disbursed to the company. The process itself reflects the longer time frame required by these larger firms to assess strategic needs before commitments can be made.

As of March 31, 2003, the Review Committee reviewed a total of 120 companies. Of these, a total of 107 were authorized to receive grants and 13 were deemed ineligible or withdrew from consideration. A total of 69 offers have been accepted (including those which have been approved by the ESDC Board of Directors), 13 offers are pending company decision, and the companies declined 25 offers. The total value of grant offers accepted was \$228,912,393, reflecting a commitment to retain and/or create a total of 68,572 jobs in New York City, of which 60,009 are located in Lower Manhattan. The average size grant accepted was approximately \$3.3 million and the median was \$656,000. The average grant per direct job for accepted offers was \$3,338. The 13 offers pending company decision as of March 31 had a total value of \$53,121,500, reflecting a potential 51,456 additional retained and/or created New York City jobs, with 23,367 of these jobs located in Lower Manhattan.

As of March 31, 2003, ESDC Directors had approved 64 grants for a total value of \$181.0 million. These companies have committed to retaining or creating a total of 59,854 jobs in New York City, with 53,151 of these in Lower Manhattan. The average value of grants approved by the Board of Directors was \$2.83 million. The average value of grant per direct job created or retained was \$3,024 for approved projects.

The JCRP requires that employment at assisted firms be tracked for a minimum of 7 years, with the actual term determined on a case-by-case basis. For the 69 accepted offers, as of March 31, the average period for tracking employment is 9.1 years.

As of March 31, 2003, grants were disbursed to 23 companies for a total value of \$110,244,000. This disbursement reflects a commitment to retain and/or create 31,260 jobs in New York City, of which 28,759 are located in Lower Manhattan. The average value of grants disbursed was \$4.8 million, with a median of \$1.17 million. The average value of grant per job created or retained was \$3,527.

As of March 31, 2003, among the 23 companies receiving grants, 43.4% of their existing employees were low- and moderate-income earners, (defined as annual earnings

of up to \$50,250). Low-income earners, (defined as annual earnings of less than \$31,400), reflected 15.6% of total reported employment. (Employment distribution by salary band includes proprietors and partners and are based on information supplied by employers in the grant application or in the grant disbursement agreement with ESDC.)

The Job Creation and Retention Program has made substantial progress toward meeting its program goals. As of March 31, 2003, the assistance provided to the 23 companies receiving grants from the Program will contribute to the retention and/or creation of 39% of the initial estimate of 80,000 jobs at affected businesses targeted by JCRP. If the assistance provided by the 69 grants accepted (including those approved by the ESDC Board of Directors) is considered, JCRP has contributed to maintaining approximately 86% of the estimated 80,000 jobs.

The \$700 million initial federal appropriation allocated \$170 million to JCRP. The accepted offers as of March 31, 2003, totaling \$228.9 million, exceed the initial program allocation. The final *Action Plan* anticipated a total program cost of \$400 million, with the additional allocations to come from congressional appropriations to the Lower Manhattan Development Corporation (LMDC).

The partial *Action Plan* submitted by LMDC on August 27, 2002, and subsequently approved by HUD, allocates a total of \$350 million as supplemental funds to three ESDC administered programs, including \$150 million for JCRP. As of March 31, 2003, a total of \$11,183,000 from the LMDC sub-allocation was obligated to fund grants approved by ESDC. As of that date, none of the LMDC sub-allocated funds were disbursed to grant recipients. As noted in the partial *Action Plan*, the revised total program allocation for JCRP (including the LMDC sub-allocation) is \$320 million, which is fully funded.

The initial \$170 million allocated to ESDC will fund fifty-one of the 64 grants approved as of March 31, 2003. These 51 awards total \$169,829,393 and reflect a total job commitment of 53,448 in New York City, of which 47,295 are located in Lower Manhattan. Based on ESDC's program allocation alone, ESDC's commitments to approved projects anticipate achieving 126% of the prorated share of the estimated 80,000 jobs at risk. The remaining 13 of the 64 approved grants, totaling \$11,183,000, will draw on the \$150 million LMDC sub-allocation. These 13 awards represent a total job commitment of 6,406 (an anticipated 17% of LMDC's prorated share of estimated employment at risk in New York City), of which 5,856 jobs are located in Lower Manhattan.

New York State and City continue to face serious challenges in maintaining the presence of the large companies that are the anchors of disaster recovery and the revitalization of Lower Manhattan. Many firms are still evaluating losses and assessing strategic needs. JCRP assists these firms, where possible, in the assessment and planning process. As of March 31, 2003, JCRP grant commitments have contributed in many instances to a company's decision to remain, to relocate, or to consolidate operations downtown or elsewhere within New York City.

The following examples may offer insight into how assistance provided by the Job Creation and Retention Program made a difference in the decision of these firms to stay in Lower Manhattan and elsewhere in New York City and, thereby, contribute to the recovery of this vital commercial center:

**T-Systems Inc.**

T-Systems Inc. (“T-Systems”) is the North American subsidiary of T-Systems International GmbH, Europe’s second-largest systems integrator and a wholly owned subsidiary of Deutsche Telekom AG, a global telecommunications company with over 257,000 employees. T-Systems, with 300 employees nationwide and approximately 41,000 employees globally, currently has its Americas headquarters in New York and also maintains offices in Chicago, Los Angeles, Miami, Atlanta, New Jersey, Michigan, Virginia, Toronto and Montreal.

T-Systems, ranked as the third largest global telecommunication service provider, manages information technology and network infrastructure for major international corporations seeking to reduce costs and improve performance by offering a full range of consulting and outsourcing services covering e-commerce, networking, and systems integration. The Company’s largest customers include Abbott Labs, AGFA, Bank of America, Freightliner, GM, Lockheed Martin, United Airlines, USG and USAA.

T-Systems currently has 51 employees, occupying approximately 18,000 square feet of space at 280 Park Avenue in Midtown Manhattan. Despite the downturn in the economy, T-Systems is currently experiencing a rapid growth in the North American market and 23 of its 51 full-time employees have been added since September 11th.

On October 15, 2002, the company accepted an incentive offer of a \$2.0 million Job Creation and Retention Grant from New York State and City to relocate its existing 51 employees to 32 Avenue of the Americas in Lower Manhattan. T-Systems also agreed to create up to 349 new jobs at this location by the end of 2006. At this point, the company is one of three large corporate attraction cases to Lower Manhattan.

T-Systems strongly feels retaining its Americas headquarters in the tri-state area will align with its overall corporate strategy. Prior to making its decision on the new downtown location, the Company had also considered relocating its operations to 10 Exchange Place in Jersey City, New Jersey. The project at 32 Sixth Avenue will involve the leasing of 30,000 square feet of space. This office space can accommodate the growing need for more employees and space with a high level of telecommunication capability. The new facility is expected to open in June 2003.

## Additional Compensation to Lower Manhattan Businesses (BRG2)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$13,240,000
Total HUD Recovery Funds from the ESDC Grant	\$13,240,000
Obligated HUD Recovery Funds to March 31	\$13,054,035
Unobligated HUD Recovery Funds to March 31	\$185,965
Cumulative HUD Recovery Funds Expended to March 31	\$12,754,035

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# Wage Earners/Proprietors	2,000	3,607
# of Businesses	NA	61

Additional Compensation to Lower Manhattan Businesses (BRG2) targets businesses employing fewer than 200 people in one or more establishments on or south of 14<sup>th</sup> Street but more than 500 people nationwide. BRG2 offers assistance on the same terms and conditions as the WTC Business Recovery Grant Program (BRG). Both programs closed on December 31, 2002, and no longer receive applications for assistance.

The provision of supplemental grants in August 2002 to cover increased calculation of loss created additional demand for program funding. To meet program needs, HUD approved the re-allocation of \$8,240,000 from the WTC Disaster Recovery Bridge Loan Program to BRG2 in March 2003. As of March 31, the total program budget is \$13,240,000. Over this period, a total of \$11,153,056 in program assistance was disbursed to 61 eligible businesses. The average award per business was \$182,837. Overall program achievements will be available once all applications received on or just before the close of the program on December 31, 2002 are processed. (Please note that the total grant amount disbursed as of March 31, 2003 reported in this narrative is different from the cumulative HUD funds expended as reported for this period, reflecting a brief time lag between the actual disbursement by ESDC and its recording in the database from which this report is derived.)

The BRG2 program has helped to retain 3,607 jobs in Lower Manhattan. This is much more than the initial estimate of 2,000 jobs at potentially eligible businesses. Its achievements complement those of the main BRG program and should be viewed in this overall context. Together, these programs contributed significantly to the recovery of those small businesses that have suffered substantial economic dislocation or physical damage.

## Business Information Program (BIP)

<b>From \$700 million CDBG Disaster Recovery Grant to ESDC</b>	
Total Project Budget from All Reported Sources	\$5,000,000
Total HUD Recovery Funds from the ESDC Grant	\$5,000,000
Obligated HUD Recovery Funds to March 31	\$2,900,128
Unobligated HUD Recovery Funds to March 31	\$2,099,872
Cumulative HUD Recovery Funds Expended to March 31	\$2,241,078

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Businesses	100,000	85,000

The WTC Business Recovery Marketing Plan (“the Plan”) budgeted an initial \$2 million of the \$5 million allocation to promote awareness of disaster recovery programs through marketing and outreach efforts. Phase I of the Plan used a multi-media and multi-lingual approach to promote two key business recovery programs: the WTC Business Recovery Grant Program (BRG) and the Small Firm Attraction & Retention Grant Program (SFARG). The BRG program closed on December 31, 2002. The SFARG program will continue to receive applications through December 31, 2004. Phase II of the Plan continues marketing and advertising activity for the SFARG program and has extended these activities to include the Job Creation and Retention Program (JCRP) and the Employee Training Assistance Program (ETAP). As of March 31, 2003, a total of \$2,241,078 of program funds was expended for these activities.

These efforts have been very successful in reaching a significant number of small businesses. The WTC Recovery Marketing Plan provides an effective means to promote the availability of assistance through these programs. Key elements of the strategy implemented by the Plan have demonstrated significant progress:

- **Web Sites**— As of March 31, there were over 200,000 web hits accessing the *Action Plan*, program information, and applications from the Empire State Development Corporation (ESDC) and NYC Economic Development Corporation (EDC) web sites, [www.nylovessmallbiz.com](http://www.nylovessmallbiz.com) and [www.newyorkbiz.com](http://www.newyorkbiz.com). The web sites have been important in allowing easy access to program guidelines, application forms, Q&As, maps of designated program areas, and other informational materials.
- **Toll-Free Telephone Numbers**-- As of March 31, nearly 100,000 calls were received at the two Call Center toll-free telephone numbers, 1 (800) I LOVE NY and 1 (866) 227-0458, that were set up immediately after the attacks on the World Trade Center. The Call Centers have been very important in providing businesses and individuals with information on the on-going WTC disaster recovery programs as well as the

Lower Manhattan Development Corporation's (LMDC) Residential Grant Program and ETAP. The toll-free numbers remain an important part of the Business Recovery Marketing Plan.

- WTC Business Recovery Centers—When the BRG program ended on December 31, 2002, the two walk-in centers, operated by ESDC and EDC located at 2 Rector Street and 140 William Street, were closed as well. However, a walk-in center was opened at 150 Lafayette Street in Lower Manhattan to assist businesses in applying for grants through the Small Firm Attraction & Retention Grant program.
- Employee Training and Assistance Program (ETAP)—An informational print advertisement was created to promote the funds available to businesses through ETAP. This ad ran during March and April in those community and foreign language publications that circulate to a targeted audience of Lower Manhattan business owners. The ad appeared in English and was also translated into Spanish, Chinese and Mandarin. The ad was placed in nine different publications with a total of 18 insertions from March 1st through the end of April. The ad ran in the following publications: Battery Park Broadsheet; Hoy; El Diario; La Prensa; Downtown Express; The Villager; Ming Pao; Sing Tao; Tribeca Tribune; and World Journal.

ESDC and EDC staffs continue to coordinate speaking engagements at community organizations and business groups in Lower Manhattan to promote the disaster recovery programs and distribute applications and program materials. Press releases encourage the media to promote the recovery programs as well.

## Lower Manhattan Development Corporation's Report - Overview

The text that follows is drawn from the March 2003 quarterly report and the original *Action Plan* LMDC submitted to HUD via the DRGR system. Most of the text was provided by LMDC, some was drafted for this report by HUD staff reviewers. Unlike ESDC, LMDC funded a variety of planning activities during the reporting period, so this section provides more detail in the planning and administration categories than was necessary for ESDC. The report covers grant activities up to March 31.

The *Accomplishment Measures* tables show data submitted in DRGR at the same time. Accomplishments data are only shown in the tables if LMDC has already expended HUD grant funds for the activity. LMDC is using the standard CDBG program definitions for “low” and “moderate” income families, individuals and households. For the Residential Location Incentive Grant program, LMDC is using the standard HUD income limits and defining the components of income using the IRS adjusted gross income definition.

The LMDC narratives that follow are:

- Overall Narrative of HUD Quarterly Report
- Residential Location Incentive Grants
- Interim Memorial
- WTC Employment Training Assistance Program (ETAP)
- Planning Activities
- Grant Administration and Outreach Activities

**Note:** *narratives for the BRG, SFARG and JCRP programs, which both LMDC and ESDC fund and which are administered by ESDC, are included with the **ESDC** narratives under the applicable program heading.*

## LMDC Overall Narrative

<b>CDBG Disaster Assistance Award to LMDC # B-02-DW-36-0001 = \$2.0 billion</b>	
Total HUD Recovery Funds made available from the LMDC Grant	\$655,892,500
Obligated HUD Recovery Funds to March 31	\$333,269,205
Unobligated HUD Recovery Funds to March 31	\$322,623,295
Cumulative HUD Recovery Funds Expended to March 31	\$219,751,470

With HUD funding, LMDC is coordinating long-term plans for Lower Manhattan and pursuing initiatives to make the area a vibrant 21<sup>st</sup> century community for residents, businesses, commuters, and visitors. LMDC is also working to rebuild the World Trade Center site and to create a permanent memorial for the victims of September 11. A transparent and open public process guides LMDC's ongoing planning efforts.

Governor Pataki and then-Mayor Guiliani created the Lower Manhattan Development Corporation in the aftermath of September 11<sup>th</sup> to coordinate the rebuilding of the World Trade Center site, the revitalization of Lower Manhattan south of Houston Street, and the creation of a fitting memorial. Congress appropriated \$2 billion through this grant to fund LMDC initiatives.

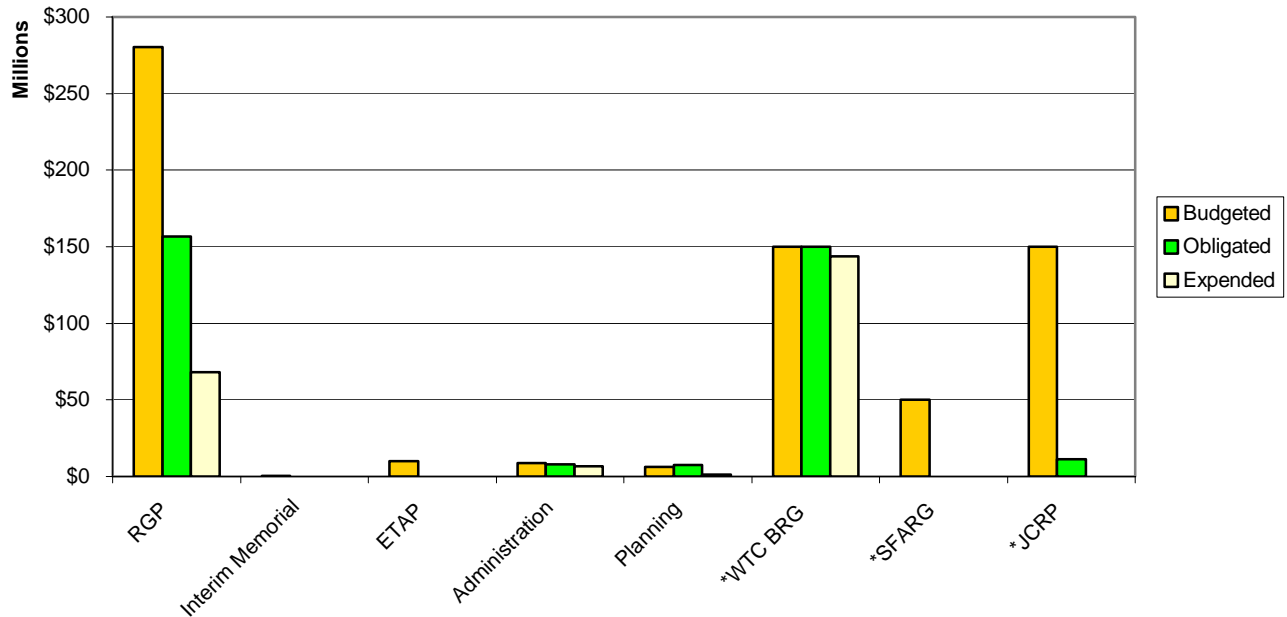
In the *Action Plan*, this is how LMDC summarized needs in Lower Manhattan:

*The World Trade Center attacks resulted in a staggering loss of life and extensive physical destruction to Lower Manhattan. Approximately 30 million square feet of commercial space was damaged or eliminated, and seven buildings in the World Trade Center site were completely leveled. Critical transportation infrastructure was disrupted or obliterated, including the PATH station, the 1/9 subway line and sections of Route 9A and Church Street. Vehicular access to the area south of Canal Street was prohibited for seven days. As a result of the tragedy, residential occupancy rates in the immediate region dropped to 60%, over 100,000 jobs were displaced, and small and large businesses struggled to maintain viability.*



# **HUD DISASTER RECOVERY FUNDS BUDGETED, OBLIGATED & EXPENDED BY ACTIVITY**

data from LMDC report on \$2 billion grant as of March 31, 2003



*Note:* The starred activities in the chart above (WTC BRG, SFARG, and JCRP) represent activities for which LMDC provided grant assistance to supplement ESDC's ongoing programs.

## Residential Location Incentive Grant Program

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Sources	\$280,500,000
Total HUD Recovery Funds from the LMDC Grant	\$280,500,000
Obligated HUD Recovery Funds to March 31	\$156,497,154
Unobligated HUD Recovery Funds to March 31	\$124,002,845
Cumulative HUD Recovery Funds Expended to March 31	\$68,180,815

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# Properties	1,500	1511
# of Low/Mod Households Benefiting	12,500	16,640
# Low-income Households Benefiting (a subset of Low/Mod)	8,400	12,809
# of Total Households Benefiting	38,000	25,895
# of Businesses	10	7
# of Non-business Organizations Benefiting	N/A	0

On June 7, 2002, Governor George E. Pataki and Housing and Urban Development Secretary Mel Martinez announced the approval of LMDC's Residential Grant Program. On August 15, 2002, LMDC announced the availability of applications for the \$281 million Residential Grant Program. Over 140,000 applications have been distributed throughout the Lower Manhattan area at over 130 locations including community centers, elected officials offices, Community Board offices, senior centers, residential developments, libraries, and at two full service LMDC Residential Grant Program Community Offices located in Tribeca and Chinatown. LMDC continues to expand its outreach campaign and is working with landlords, co-op and condo boards, media, and local community organizations to ensure that all residents, potential residents, and owners are aware of the program.

LMDC launched the "It Pays to Live Downtown" campaign in January, 2003. The ongoing outreach campaign featured city-wide "It Pays to Live Downtown" advertisements placed in local papers, subways, bus stops, and phone booths throughout February and March. Additionally, LMDC mobile application teams visited all residential buildings in Lower Manhattan where no one had yet applied for the grants. LMDC opened a multilingual hotline (1-866-RenewNYC) to answer questions about eligibility for the program, the status of applications, recertifications, and other issues. This hotline operates Monday through Friday from 9:00 AM to



5:00 PM. LMDC provides multiple ways for residents to apply for the LMDC Residential Grant Program.

Applicants are able to mail in applications, apply via the hotline, and make appointments at the Chinatown office at 225 Park Row or the Tribeca office at 68 Reade Street to meet with an eligibility specialist and receive help in filling out the application. All of LMDC's Residential Grant Program services, including our web site, hotline, offices, and outreach, provide all services in English, Chinese, and Spanish. LMDC has also hired a not-for-profit organization to provide services to individuals who speak other languages.

To minimize the risk of loss from fraud, LMDC has retained a Compliance Auditor and investigative team, which operate a fraud prevention hotline and other initiatives. LMDC has also hired a Vice President for Investigations who provides in-house expertise on fraud prevention and who has day-to-day oversight responsibility for the investigative team. The fraud prevention hotline number is 1-866-830-9131. Staff at Residential Grant Program Community Offices have been fully trained on fraud recognition procedures and are able to contact the investigative team as necessary.

LMDC has created a building eligibility database in partnership with New York City's Department of Buildings, Department of Housing Preservation and Development, Department of City Planning, Department of Finance, and Department of Information Technology and Telecommunications. This comprehensive database matches applications to Zones 1, 2, and 3, and determines eligibility of buildings based on legal residential status and conformity to health, safety, and habitability criteria. Applications are being approved on an ongoing basis. 25,895 applications were approved through March 31, 2003. Checks were issued to 21,441 residents prior to March 31, 2003. Of the 25,895 approved applications representing approximately \$140 million in grants, LMDC will distribute 21,963 September 11 Grants, 17,031 2-Year Grants, and 5,587 Family Grants to individuals. LMDC will distribute 22 2-Year Grants to 7 businesses.

LMDC continues to process applications in order of date received. If applications are missing information, LMDC contacts residents to complete the paperwork. No application will be denied solely because required information is not initially submitted. LMDC will continue to issue approval letters after quality controls, including fraud prevention measures and confirmation of building eligibility, are applied to each application.

There has been a positive response to the LMDC Residential Grant Program. Over 36,000 applications have been received to date. These applications represent residents that lived here prior to September 11, 2001 and remain committed to the area, families making Lower Manhattan their home, and new residents making two-year commitments to Lower Manhattan. Since the Residential Grant Program was first announced in February 2002, there has been a tremendous resurgence of interest in moving to Lower Manhattan, which is reflected in the increase in residential occupancy rates. For example, the occupancy rate of Battery Park City was 60 percent after the

attack, rose to 74 percent shortly after the announcement of the draft plan, and is now over 95 percent. Over 50 percent of the residents in zone 1, the area closest to the World Trade Center site, are new residents to the area since September 11, 2001.

The new and renewed commitment of residents to the area, despite the disaster, provides a strong foundation for the revitalization of Lower Manhattan.

## Interim Memorial

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Funds	\$350,000
Total HUD Recovery Funds from the LMDC Grant	\$350,000
Obligated HUD Recovery Funds to March 31	\$0
Unobligated HUD Recovery Funds to March 31	\$350,000
Cumulative HUD Recovery Funds Expended to March 31	\$0

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of public facilities	1	0

March 11, 2002, LMDC joined Governor Pataki, Mayor Bloomberg, former Mayor Guiliani and families of many who perished at the World Trade Center in a moving ceremony to unveil the interim memorial. The centerpiece of the memorial is “*The Sphere for Plaza Fountain*,” a monument to fostering world peace that sat atop a granite fountain in the center of the 5-acre World Trade Center Plaza. *The Sphere* was commissioned by the Port Authority and created by sculptor Fritz Koenig in 1971. The attack September 11<sup>th</sup> transformed *The Sphere* in an icon of hope. Although it sustained a large gash through its center, it remained structurally intact and was one of the few public art treasures at the World Trade Center that could be recovered. The Parks Department estimates that approximately 300 visitors per day visit the memorial.

LMDC used the New York City Department of Design and Construction as a subrecipient to prepare *The Sphere* and the site and to install the sculpture and related landscaping. The interim memorial is installed in a section of historic Battery Park known as Eisenhower Mall, near Bowling Green and adjacent to Hope Garden. The initial work is complete but LMDC has not yet drawn grant funds to reimburse its expenses for the activity. For additional information and pictures of the interim memorial, refer to <http://www.renewnyc.com/memorial.htm>.

## WTC Employment Training Assistance Program (ETAP)

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Funds	\$10,000,000
Total HUD Recovery Funds from the LMDC Grant	\$10,000,000
Obligated HUD Recovery Funds to March 31	\$42,216
Unobligated HUD Recovery Funds to March 31	\$9,957,783
Cumulative HUD Recovery Funds Expended to March 31	\$8,258

<b>Accomplishment Measures</b>	<b>Expected</b>	<b>Cumulative to Date</b>
# of Persons Benefiting	3000	15
# of Businesses	100	1

The WTC Employment Training Assistance Program (ETAP), established by the Empire State Development Corporation (ESDC), in cooperation with the Lower Manhattan Development Corporation (LMDC) and the New York City Economic Development Corporation (EDC), provides assistance to small businesses and not-for-profit organizations to offer training opportunities to their employees in Lower Manhattan. \$10 million has been allocated to ETAP from a \$2 billion federal appropriation made available to LMDC through HUD.

ETAP is in its early stage of implementation and, as of March 31, 2003, had received 16 applications for training assistance. One grant of \$8,258 was disbursed to assist in training 15 new and retained employees. As of March 31, another three grants totaling \$33,958 are pending disbursement. Outreach efforts continue to provide information on the program through presentations at workshops targeting small businesses, business associations, and community-based organizations in Lower Manhattan. Several technical assistance providers under contract with the WTC Technical Assistance Services Grant Program, funded through the \$700 million federal appropriation, have applied for ETAP assistance for their training programs.

## Administration and Planning Activities

<b>From \$2.0 billion CDBG Disaster Recovery Grant to LMDC</b>	
Total Project Budget from All Reported Funds	\$15,042,500
Total HUD Recovery Funds from the LMDC Grant	\$15,042,500
Obligated HUD Recovery Funds to March 31	\$13,248,810
Unobligated HUD Recovery Funds to March 31	\$1,793,690
Cumulative HUD Recovery Funds Expended to March 31	\$7,506,361

In the *Action Plan*, LMDC budgeted \$15,042,500 for planning and administrative activities. Of this total, \$11,775,500 is currently budgeted for administrative activities and the remainder for planning. At HUD's request, the quarterly reports provide additional detail, breaking down uses of funds by major planning project or administrative category. (For this grant, HUD capped expenditures for planning and administration funds in the grant agreement at 5% of the grant.)

*Planning.* In future, additional planning detail may be broken out from the general administration category. This quarterly report shows planning activities in the following categories:

- *WTC site planning* - Over the last year, LMDC has conducted one of the most ambitious outreach campaigns ever undertaken in urban planning. To date, we have hosted three exhibits of plans, drawing more than 125,000 visitors; and we have received close to 30,000 written comments. We have held public meetings in all five boroughs of New York City, on Long Island, and in New Jersey and Connecticut.

February 4, 2003, the LMDC and Port Authority announced that two design concepts for the World Trade Center site were under final consideration: the Memory Foundations design by Studio Daniel Libeskind, and the World Cultural Center design by THINK, a team led by Shigeru Ban, Frederick Schwartz, Ken Smith and Rafael Viñoly. February 27, 2003 LMDC announced the selection of Memory Foundations by Studio Daniel Libeskind as the selected design for the World Trade Center site. The inspirational design by Studio Daniel Libeskind leaves portions of the slurry wall exposed as a symbol of the strength and endurance of American democracy, while reserving a majestic setting for the memorial and museum in the area known as the bathtub. A 1,776 tall spire creates a powerful new skyline for Lower Manhattan, while the bustling activity down below reaffirms life in the aftermath of tragedy.

- *Memorial* -- The creation of a memorial at the World Trade Center site is, and will remain, the centerpiece of LMDC's planning process. LMDC has developed a clearly defined process to guide the development of the memorial that is closely coordinated with the redevelopment process for the World Trade Center site. Two major

components of the process were the creation of a memorial mission statement and a memorial program. The mission statement describes the purpose of the memorial, while the program describes the principles that the memorial must embody and the elements it must feature to be considered in the competition. The mission statement and program were released for public comment from January 8, 2003 through February 2, 2003, and revised based on more than 2,000 comments received during that period. The drafts were developed by two separate committees, convened by the LMDC and comprised of family members, residents, survivors, first responders, arts and architecture professionals, and community leaders. The committees premised their work on an initial memorial mission statement and program developed by the LMDC Families Advisory Council last spring. The mission statement and program are the core of the guidelines of LMDC's World Trade Center Site memorial competition.

- *LMDC general planning*- Using its own staff, LMDC manages and carries out general planning activities associated with rebuilding and revitalizing Lower Manhattan. These activities include conducting studies, data gathering, and preparing plans. To date, the LMDC has assisted in the development of urban design concepts for the World Trade Center site, and solicited proposals to retain consultants to conduct a housing study, a retail demand study and to develop additional World Trade Center designs. Additional planning activities include traffic studies and architectural design proposals for building on or surrounding the World Trade Center site.
- *Environmental Counsel and Consulting* - LMDC has retained legal counsel and sought advice on environmental and/or land use requirements and matters. LMDC will use the services of an environmental consultant for the review of planning and development proposals, and the preparation of environmental reports based on applicable laws and regulations.
- *Economic Impact Consultant* - LMDC currently uses the services of an economic impact consultant to assist in the evaluation of programs or projects to be funded through CDBG funds.

The CDBG activity "administration" consists of several categories. It may include expenditures for a variety of administrative tasks, such as general grant management, oversight, and coordination; reporting to HUD; and citizen participation and public information. In many communities, the administration category primarily includes salaries and related expenses for grantee staff and is not broken out into categories for HUD. LMDC plans to include detail in the quarterly report for certain projects carried out with partners or through contractors. This quarterly report shows two administration activities:

- *Listening to the City* – The Listening to the City events enabled people from the entire New York metropolitan area to participate in the public dialogue regarding the future of the World Trade Center site and adjacent areas and the creation of a



fitting memorial. Approximately 4,500 people attended the Listening to the City events on July 20, 2002 and July 22, 2002, representing a diverse demographic and geographic population. Participants in these forums came from all over the region and represented a variety of backgrounds. In addition to reviewing and discussing the six concept plans for the World Trade Center site and adjacent areas, participants were asked to discuss a variety of issues related to Lower Manhattan and its revitalization. The participants were also asked to provide comments on the draft Memorial Mission Statement. The event on July 20th was the largest public urban planning dialogue of its kind in history. Another 800 people participated in an on-line dialogue held between July 29, 2002 and August 12, 2002. This activity is complete and these are final numbers.

- General Administration - LMDC maintains a staff and office space to carry out its planning and community development activities, including general management, oversight, monitoring and coordination. In addition, LMDC provides local officials, businesses, and citizens with information about programs. General administrative activities are centralized in LMDC's office at: One Liberty Plaza, 20th floor, New York, NY, 10006, and cover activities within Lower Manhattan.

## Supplementary Data

**Supplementary Databases.** ESDC provided HUD a copy of its grant management database for the period from the start of grant activities until December 31. These data represent information down to the applicant level and include topics not covered in DRGR reports, such as race and ethnicity information for direct benefit activities, and North American Industrial Classification System (NAICS) code information for assisted businesses. LMDC provided data from its grant management databases for the Residential Grant program for the period from inception of the program until the end of the reporting period. These data also provide information down to the applicant level and include race, ethnicity, outreach effectiveness, language and building eligibility information. HUD program staff use these information resources for remote monitoring of the grant programs.

**Reporting Jobs By Wage Band.** ESDC is carrying out all its activities under the “Urgent Need” national objective of the CDBG program. This means program rules do not require that business assistance activities result in the creation or retention of jobs for low- and moderate-income persons. To provide a measure of performance resulting from economic development activities, ESDC still collects and reports data on jobs assisted, including information on the salaries earned in jobs created or retained as a result of the grants.

In published waivers and alternative requirements, HUD eased income-reporting requirements to allow ESDC to collect job data based on the “wage band” of individuals hired rather than based on the income status of the entire household. (The latter approach is used throughout the regular CDBG program.) ESDC used HUD’s section 8 family income limits for New York City to set the salary range limits for wage bands called “low”, for earning levels at or below the limit for families earning 50% of median income, “moderate”, for earning levels at or below the limit for families earning 80% of median income, and “Above moderate”, for earning levels above the 80% limit.

This modified income collection method cannot be directly compared with other CDBG and HUD income data based on household and family income. Obviously, some of the jobs created by ESDC and reported in *low* or *moderate* categories could be held by people whose households include another wage earner with a significantly higher income. Still, and unexpectedly, the data do show the BRG program resulting in a significant amount of job creation and retention activity in the lowest income-earning categories. This point is significant because it means the BRG program is assisting at least some of the populations that HUD’s experience with disaster recovery shows have the greatest difficulty recovering from the economic effects of disasters.

## Program Requirements

Chapter 13 of division B of the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (Public Law 107-117, approved January 10, 2002) appropriates \$2.0 billion in Community Development Block Grant funds and makes applicable the first six provisos of section 434 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2002 (Public Law 107-73, approved November 26, 2001). Section 434 provides for the use of CDBG funds made available from the Emergency Response Fund by the fifth proviso under the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (Public Law 107-38, approved September 18, 2001) to New York State for properties and businesses damaged by, and economic revitalization related to, the September 11, 2001, terrorist attacks on New York City. Prior to the \$2.0 billion appropriation, \$700 million was made available from the Emergency Response Fund. The third proviso of section 434 authorizes the Secretary to waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the obligation by the Secretary or use by the recipient of these funds, except for requirements related to fair housing, nondiscrimination, labor standards, and the environment.

Other requirements include the Housing and Community Development Act of 1974, as amended, and the portions of 24 CFR Part 570 dealing with the state program, except as waived or replaced with alternative requirements by *Federal Register* notices 67 FR 4164 published January 28, 2002; 67 FR 5845 published February 7, 2002; 67 FR 12042 published March 18, 2002; and 67 FR 36017 published May 22, 2002.